

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF WASHINGTON

KELLI GRAY; EVA LAUBER;  
DANE SCOTT; SCOTT BOOLEN;  
JOEL FINCH; and all others similarly  
situated,

Plaintiffs,

v.

SUTTELL & ASSOCIATES, P.S.;  
MIDLAND FUNDING, LLC; MARK  
T. CASE and JANE DOE CASE, wife  
and husband; KAREN HAMMER and  
JOHN DOE HAMMER, husband and  
wife; ENCORE CAPITAL GROUP,  
INC.; MIDLAND CREDIT  
MANAGEMENT, INC.; SUTTELL &  
HAMMER, P.S.; MALISA L.  
GURULE; JOHN DOE GURULE;  
ISAAC HAMMER; WILLIAM G.  
SUTTELL and JANE DOE SUTTELL,  
wife and husband,

Defendants.

NO: 2:09-CV-251-RMP

ORDER GRANTING IN PART AND  
DENYING IN PART SECOND  
MOTION FOR SUMMARY  
JUDGMENT

BEFORE THE COURT is Defendants Midland Credit Management, Inc.'s,  
Midland Funding, LLC's, and Encore Capital Group, Inc.'s Second Motion for  
ORDER GRANTING IN PART AND DENYING IN PART MOTION FOR  
SUMMARY JUDGMENT ~ 1

1 Summary Judgment, **ECF No. 538**. On November 30, 2015, this matter was  
2 reassigned from Judge Edward F. Shea to this Court. ECF No. 567. The Court  
3 heard oral argument on January 26, 2016. The Court has reviewed the motion, the  
4 memorandum in response (ECF No. 573), the memorandum in reply (ECF  
5 No. 576), has heard argument from counsel, and is fully informed.

## 6 **BACKGROUND**

### 7 **A. The *Gray* Lawsuit**

8 Plaintiff Kelli Gray ordered an item from Spiegel Brands, Inc. (“Spiegel”)  
9 mail-order catalogue and did not pay. On December 4, 2007, Midland Funding,  
10 LLC (“Midland Funding”) purchased Ms. Gray’s defaulted Spiegel account.  
11 Midland Funding assigned the account to its servicer, Midland Credit  
12 Management, Inc. (“MCMI”), which determines whether certain accounts are  
13 “eligible” or “not eligible” for collection. Defendants Mark T. Case and Karen  
14 Hammer, attorneys for Defendant Suttell & Associates (“Suttell”), filed a lawsuit  
15 against Ms. Gray in Spokane County Superior Court to collect the debt.

16 On August 12, 2009, Ms. Gray filed the instant lawsuit before this Court.  
17 Ms. Gray, on behalf of herself and others similarly situated, alleged that  
18 Defendants violated the Fair Debt Collection Practices Act (“FDCPA”), 15 U.S.C.  
19 § 1692, *et seq.*, the Washington State Consumer Protection Act (“WCPA”), RCW  
20 chapter 19.86, and the Washington State Collection Agency Act (“WCAA”), RCW  
21 chapter 19.16, by 1) serving and filing time-barred lawsuits (“statute-of-

1 limitations” claim); 2) requesting unreasonable attorney fees of \$650.00 for a  
2 default judgment and \$850.00 for a summary judgment (“attorney-fee” claim); and  
3 3) acting as a “collection agency” without a “collection agency” license  
4 (“licensing” claim).

### 5 **B. The *Lauber* Lawsuit**

6 Plaintiffs Eva Lauber, Dane Scott, Scott Boolean, and Joel Finch  
7 (collectively, “Lauber Plaintiffs”), similar to Ms. Gray, were obligated to pay a  
8 debt and failed to do so. On November 10, 2010, the Lauber Plaintiffs filed a  
9 complaint before this Court that alleged violations of the FDCPA, WCPA, and  
10 WCAA, alleging that Defendants: 1) filed unfair, deceptive, and misleading  
11 affidavits in support of state-court default and summary judgment motions  
12 (“affidavit” claim); and 2) acted as a “collection agency” without a “collection  
13 agency” license (“licensing” claim).

### 14 **C. Defendants**

15 For the purpose of this Order, the Court will continue to utilize Judge Shea’s  
16 categorization of the Defendants. Defendants Suttell & Associates PS, Suttell &  
17 Hammer PS, Mark Case, Jane Doe Case, Karen Hammer, Isaac Hammer, Malisa  
18 Gurule, John Doe Gurule, William Suttell, and Jane Doe Suttell are the “Suttell  
19 Defendants.” Defendants Midland Funding, LLC, Midland Credit Management,  
20 Inc., and Encore Capital Group, Inc., are the “Midland Defendants.”

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## D. Procedural History

### 1. Consolidation and First Amended Complaint

On December 29, 2010, Judge Shea consolidated the *Gray* lawsuit with the *Lauber* lawsuit. ECF No. 182. On March 23, 2011, Judge Shea granted Plaintiffs' motion for leave to amend or correct the complaint. ECF Nos. 296 and 299. Plaintiffs filed the First Amended Complaint on April 8, 2011. ECF No. 297. The First Amended Complaint is the current operative pleading in this matter.

### 2. The Brent Injunction

On March 11, 2011, the District Court for the Northern District of Ohio issued a preliminary injunction in *Midland Funding, LLC v. Brent*, No. 3:08-CV-1434-AK (hereinafter "*Brent*"). The *Brent* preliminary injunction prohibits individuals from:

participating as class member in any lawsuit in any forum, or otherwise filing, intervening in, commencing, prosecuting, continuing and/or litigating any lawsuit in any forum arising out of or relating to the use of affidavits in debt collection lawsuits by Encore Capital Group, Inc., and/or its subsidiaries and affiliates, including but not limited to Midland Credit Management, Inc., Midland Funding LLC, MRC Receivables Corp., and Midland Funding NCC-2 Corp., unless and until such time as the Class member involved in such action timely and validly excludes himself or herself from the class to pursue individual relief.

ECF No. 272-3. Interpreting the preliminary injunction, Judge Shea concluded that Plaintiffs could continuing litigating: 1) the attorney-fee, licensing, and statute-of-limitations claims against both the Midland Defendants and the Suttell Defendants;

1 and 2) the affidavit claim against the Suttell Defendants. ECF Nos. 299 and 364.  
2 Judge Shea determined that the *Brent* injunction barred Plaintiffs' affidavit claims  
3 against the Midland Defendants. ECF No. 299.

### 4 ***3. Compelled Arbitration***

5 On March 19, 2012, Judge Shea concluded that Plaintiff Eva Lauber must  
6 submit her claims to arbitration based on the Arbitration Rider included in  
7 Ms. Lauber's loan agreement. ECF No. 410. As such, Judge Shea stayed  
8 Ms. Lauber's claims pending arbitration. *Id.*

### 9 ***4. Motion to Dismiss***

10 In April 2011, both the Suttell Defendants and the Midland Defendants  
11 moved to dismiss various causes of action asserted in Plaintiffs' First Amended  
12 Complaint. ECF Nos. 306, 310, and 313. The Suttell Defendants moved to dismiss  
13 Plaintiffs' FDCPA attorney-fee claim. ECF No. 313. Both the Suttell Defendants  
14 and the Midland Defendants moved to dismiss Plaintiffs' WCPA claims. ECF  
15 Nos. 306, 309, 310, and 313.

16 Judge Shea dismissed the FDCPA attorney-fee claim and all WCPA claims  
17 against the Suttell Defendants as well as Scott Boolean's, Joel Finch's, and Kelli  
18 Gray's WCPA claims against the Midland Defendants. ECF No. 416. Judge Shea  
19 denied Midland Defendants' motion as it pertained to Dane Scott's WCPA cause  
20 of action. *Id.*

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1                   ***5. Certification to the Washington State Supreme Court***

2                   On February 4, 2013, Judge Shea determined that certification to the  
3 Washington State Supreme Court was necessary to resolve issues of Washington  
4 State law. ECF No. 447. Judge Shea certified the following questions to the  
5 Washington State Supreme Court:

- 6                   1. Does the definition of “collection agency” in RCW 19.16.100(2)  
7 include a person who 1) purchases claims that are owed or due or  
8 asserted to be owed or due another, 2) undertakes no activity on said  
9 delinquent consumer account but rather contracts with an affiliated  
10 collection agency to collect the purchased claims, and 3) is the  
11 named plaintiff in a subsequent collection lawsuit for said purchased  
12 claims?
- 13                   2. Can a company, such as Midland Credit,<sup>1</sup> file lawsuits in the  
14 Washington [State Superior Courts] on delinquent consumer  
15 accounts without being licensed as a collection agency as defined by  
16 RCW 19.16.100(2)?

17                   *Id.* The Washington State Supreme Court issued an opinion answering the certified  
18 questions on August 28, 2014. ECF No. 463.

19                   ***6. First Motion for Summary Judgment***

20                   In March and April 2015, both the Suttell Defendants and the Midland  
21 Defendants moved for summary judgment on various causes of action asserted in  
Plaintiffs’ First Amended Complaint. ECF Nos. 480 and 495. Both the Suttell  
Defendants and the Midland Defendants moved for summary judgment on Plaintiff  
Gray’s FDCPA statute-of-limitation claim. ECF Nos. 480 and 495. Judge Shea

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<sup>1</sup> Later changed to “Midland Funding, LLC.” *See* ECF Nos. 458 and 459.

1 granted both motions under 15 U.S.C. § 1692k(c) as the court found that the  
 2 Defendants had made a bona fide error as related to the applicable statute-of-  
 3 limitations. ECF No. 544.

#### 4 **E. Midland Defendants' Corporate Structure**

5 The following chart illustrates the relationships between Midland Funding  
 6 and its parent companies, the remaining Midland Defendants:

7 Encore Capital Group, Inc. (publicly held corporation)

8 ↓ Owns

9 Midland Credit Management, Inc. (licensed collection agency)

10 ↓ Owns

11 Midland Portfolio Services, Inc. (owns 100% of Midland Funding)

12 ↓ Owns

13 Midland Funding, LLC (debt-buying entity that owns the accounts).

14 *Gray v. Suttell & Associates*, 181 Wn.2d 329, 333 (2014). As described by the  
 15 Washington State Supreme Court:

16 Midland Funding purchases defaulted receivables, i.e., consumers'  
 17 unpaid financial commitments to credit originators such as banks, credit  
 18 unions, consumer finance companies, commercial retailers, auto  
 19 finance companies, and telecommunications companies. Midland  
 20 Funding has no employees and is merely a holding company for the  
 21 delinquent accounts it purchases.

Midland Credit Management . . . services the defaulted accounts on  
 behalf of Midland Funding. Pursuant to the "Servicing Agreement,"  
 [MCMI] decides how to collect on the defaulted accounts purchased by  
 Midland Funding. [MCMI's] employees manage the collection process

and perform the collection acts for these defaulted accounts. [MCMI] is licensed by the State of Washington as a collection agency. To fulfill its servicing duties, [MCMI] contracts directly with Suttell & Associates, a law firm, to file collection lawsuits in Midland Funding's name. From 2005 to 2010, 1,081 cases were filed in Washington superior courts naming Midland Funding LLC as plaintiff.

*Id.* at 334.

## DISCUSSION

### I. Summary Judgment Standard

Summary judgment is appropriate when the moving party establishes that there are no genuine issues of material fact and that the movant is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(a). A party may move for partial summary judgment by identifying the specific claim or defense on which summary judgment is sought. *Id.* If the moving party demonstrates the absence of a genuine issue of material fact, the burden shifts to the non-moving party to set out specific facts showing that a genuine issue of material fact exists. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323–25 (1986). A genuine issue of material fact requires “sufficient evidence supporting the claimed factual dispute . . . to require a jury or judge to resolve the parties’ differing versions of the truth at trial.” *T.W. Elec. Serv., Inc. v. Pac. Elec. Contractors Ass’n*, 809 F.2d 626, 630 (9th Cir. 1987). “Where the record taken as a whole could not lead a rational trier of fact to find for the non-moving party, there is no ‘genuine issue for trial.’” *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986) (internal citation omitted).

1 The evidence presented by both the moving and non-moving parties must be  
 2 admissible. Fed. R. Civ. P. 56(c)(2). Evidence that may be relied upon at the  
 3 summary judgment stage includes “depositions, documents, electronically stored  
 4 information, affidavits or declarations, stipulations . . . admissions, [and]  
 5 interrogatory answers.” Fed. R. Civ. P. 56(c)(1)(A). The Court will not presume  
 6 missing facts, and non-specific facts in affidavits are not sufficient to support or  
 7 undermine a claim. *Lujan v. Nat'l Wildlife Fed'n*, 497 U.S. 871, 888–89 (1990).

8 In evaluating a motion for summary judgment, the Court must draw all  
 9 reasonable inferences in favor of the non-moving party. *Dzung Chu v. Oracle*  
 10 *Corp. (In re Oracle Corp. Secs. Litig.)*, 627 F.3d 376, 387 (9th Cir. 2010) (citing  
 11 *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986)).

## 12 **II. Washington Collection Agency Act**

13 Midland Defendants argue that Plaintiffs’ WCAA claim must be dismissed  
 14 as the WCAA does not create a private cause of action. ECF No. 538 at 8.  
 15 Plaintiffs do not respond to the Midland Defendants’ argument. *See* ECF No. 573.

16 The remedy for a violation of the WCAA is through the WCPA. *See*  
 17 *Genschorck v. Suttell & Hammer, P.S.*, 12-CV-0615-TOR, 2013 WL 6118678, at  
 18 \*3 (E.D. Wash. Nov. 21, 2013). As noted in RCW 19.16.440:

19 [t]he operation of a collection agency or out-of-state collection agency  
 20 without a license as prohibited by RCW 19.16.110 and the commission  
 21 by a licensee or an employee of a licensee of an act or practice  
 prohibited by RCW 19.16.250 are declared to be unfair acts or practices  
 or unfair methods of competition in the conduct of trade or commerce

1 for the purpose of the application of the Consumer Protection Act found  
2 in chapter 19.86 RCW.

3 RCW 19.16.440. “When a violation of debt collection regulations occurs, it  
4 constitutes a per se violation of the CPA and [Federal Trade Commission Act]  
5 under state and federal law, reflecting the public policy significance of this  
6 industry.” *Panag v. Farmers Ins. Co. of Wash.*, 166 Wn.2d 27, 53 (2009).  
7 Therefore, an individual cannot assert a private cause of action under the WCAA.  
8 *See Connelly v. Puget Sound Collections, Inc.*, 16 Wn. App. 62, 64 n.1 (1976)  
9 (“Under the Collection Agency Act, it appears that only the attorney general or the  
10 local prosecuting attorney ‘may bring an action’ to restrain a violation of that act.”)  
11 (citing RCW 19.16.460). To the extent Plaintiffs attempt to assert a cause of action  
12 under the WCAA, the Court **GRANTS** Midland Defendants’ motion for summary  
13 judgment.

### 14 **III. Washington Consumer Protection Act**

15 Midland Defendants argue that Mr. Scott’s WCPA claim premised on  
16 Midland Funding’s not being properly licensed as a “collection agency” fails for  
17 several reasons: 1) Midland Funding was not required to be licensed as a  
18 “collection agency” under the WCAA; 2) Midland Funding, even if required to be  
19 licensed under the WCAA, is entitled to the WCPA good faith exception; and  
20 3) Mr. Scott has not sustained an “injury to property or business” as required to  
21 maintain a WCPA cause of action. ECF No. 538 at 8–9.

1 To maintain a WCPA cause of action, a plaintiff must demonstrate: (1) an  
2 unfair or deceptive act or practice by a defendant; (2) occurring in trade or  
3 commerce; (3) an impact on the public interest; (4) injury to the plaintiff's business  
4 or property; and (5) that the defendant's alleged unfair or deceptive act caused  
5 plaintiff's injury. *Hangman Ridge Training Stables, Inc. v. Safeco Title Ins. Co.*,  
6 105 Wn.2d 778, 784–85 (1986).

### 7 **A. WCAA Collection Agency Licensing Requirement**

8 No person may act as a “collection agency” without first having applied for  
9 and obtained a license. RCW 19.16.110. Operating a “collection agency” without a  
10 license is a *per se* unfair practice under the WCPA. RCW 19.16.440; *see also*  
11 *Panag*, 166 Wn.2d at 53. The viability of Mr. Scott's WCPA licensing claim  
12 depends upon whether Mr. Scott can demonstrate a genuine issue of material fact  
13 concerning whether Midland Funding was a “collection agency” subject to the  
14 WCAA.

#### 15 **1. Gray v. Suttell & Associates**

16 In *Gray*, the Washington State Supreme Court addressed the definition of  
17 “collection agency” under the WCAA pursuant to Judge Shea's certified questions.

18 The WCAA was amended by the legislature in 2013. Prior to the  
19 amendment, and relevant to Midland Funding as the relevant conduct took place  
20 under the prior WCAA regime, the WCAA defined a “collection agency” as:  
21

1 (a) Any person directly or indirectly engaged in soliciting claims for  
2 collection, or collecting or attempting to collect claims owed or due  
or asserted to be owed or due another person;

3 (b) Any person who directly or indirectly furnishes or attempts to  
4 furnish, sells, or offers to sell forms represented to be a collection  
5 system or scheme intended or calculated to be used to collect claims  
even though the forms direct the debtor to make payment to the  
6 creditor and even though the forms may be or are actually used by  
the creditor himself or herself in his or her own name;

7 (c) Any person who in attempting to collect or in collecting his or her  
8 own claim uses a fictitious name or any name other than his or her  
own which would indicate to the debtor that a third person is  
collecting or attempting to collect such claim.

9 Former RCW 19.16.100(2) (2003). The 2013 amendment added the following  
10 subpart:

11 (d) Any person or entity that is engaged in the business of purchasing  
12 delinquent or charged off claims for collection purposes, whether it  
collects the claims itself or hires a third party for collection or an  
13 attorney for litigation in order to collect such claims.

14 RCW 19.16.100(2)(d).

15 The Washington State Supreme Court found that, prior to the 2013  
16 amendment, the WCAA was ambiguous as to whether a passive debt buying entity  
17 was within the scope of “collection agency.” *Gray*, 181 Wn.2d at 341. Further, the  
18 court determined that the 2013 amendments merely clarified that such a passive  
19 debt buyer was a “collection agency,” as opposed to changing the WCAA licensing  
20 requirements. *Id.* at 342.

1 The Washington State Supreme Court concluded that a debt buyer, such as  
2 Midland Funding, was within the pre-amendment definition of “collection agency”  
3 if the debt buyer “solicit[s] claims for collection.”<sup>2</sup> *Id.* at 343. Turning to the  
4 ordinary meaning, the court defined “solicit” as “to endeavor to obtain by asking or  
5 pleading.” *Id.* at 340 (quoting WEBSTER’S THIRD NEW INTERNATIONAL  
6 DICTIONARY 2169 (2002)). The court contrasted two alternatives: an entity  
7 “soliciting claims for collection [which] involves conduct aimed at procuring a  
8 claim for collection” and “[a] passive market participant.” *Id.* An entity “solicited  
9 claims” if the entity “advertise[s] that it is purchasing claims, target[s] individual  
10 sellers, enter[s] into contracts with sellers to purchase claims, or perform[s]  
11 market-based research to generate lists used to purchase claims.” *Id.* However, “if  
12 a company is formed, sits idle, and never actually solicits or acquires any claims  
13

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14 <sup>2</sup> The Washington State Supreme Court noted that RCW 19.16.100(2)(a), through  
15 the use of the disjunctive “or,” “strongly suggests that there are two types of  
16 collection agencies.” *Gray*, 181 Wn.2d at 339. The court defined the two  
17 categories as an entity that is engaged in “soliciting claims for collection” and an  
18 entity that is engaged in “collecting or attempting to collect claims owed or due or  
19 asserted to be owed or due another person.” *Id.* (quoting RCW 19.16.100(2)(a)).  
20 The court concluded that a debt buyer can be a “collection agency” even if the  
21 entity does not “collect claims owed to another.” *Id.* at 340.

1 for collection, that company has not solicited claims for collection. Nor has a  
2 company solicited claims if it engaged in no marketing and merely passively  
3 accepts offers.” *Id.* at 340–41. The court concluded that “Midland Funding, a debt  
4 buyer, is a ‘collection agency’ under RCW 19.16.100(2) if the district court finds  
5 that Midland Funding solicited claims for collection—that is, if Midland Funding  
6 or its agents took any affirmative steps to obtain claims for collection.” *Id.* at 341.

## 7 **2. Midland Funding, LLC**

8 Midland Defendants argue that Midland Funding is not a “collection  
9 agency” as the entity does not “solicit claims for collection.” ECF No. 538 at 11  
10 (quoting *Gray*, 181 Wn.2d at 341). Midland Defendants allege that Midland  
11 Funding is “a passive debt buyer that has no employees and is merely a holding  
12 company for delinquent accounts.” *Id.* at 11–12. Mr. Scott contends that MCMC  
13 employees, acting as Midland Funding’s agents, solicit claims for collection on  
14 behalf of Midland Funding. ECF No. 573 at 6. Midland Defendants counter that,  
15 even if MCMC employees are Midland Funding’s agents, summary judgment is  
16 appropriate as MCMC has been a licensed “collection agency” under the WCAA  
17 since 2000. ECF No. 576 at 4. Further, Midland Defendants note that the  
18 undisputed evidence demonstrates that creditors approach MCMC concerning  
19 purchasing portfolios of accounts, not the other way around. *Id.* at 5.

20 As part of discovery in this matter, Plaintiffs deposed Gregory Gerkin,  
21 MCMC’s Corporate Counsel for Legal Affairs and Compliance. As noted by

1 Midland Defendants, Mr. Gerkin testified that creditors contact MCMI inviting  
2 MCMI to bid on selected portfolios of accounts that are available for sale. ECF  
3 No. 574-1 at 16. However, as recounted by Mr. Gerkin:

4 [i]f the seller then accepts Midland Credit Management's bid, the  
5 purchase agreement is worked out, and then the – you know, Midland  
6 Credit Management then executes the agreement using Midland  
7 Funding, LLC, as the purchasing entity and then funds it from a  
8 Midland Credit Management bank account from Encore Capital  
9 Group's credit line.

10 *Id.* at 17. Although selling creditors make initial contact with MCMI, MCMI must  
11 enter a bid, on behalf of Midland Funding, before any portfolio of accounts is  
12 purchased. *See id.*; *see also* ECF No. 574-2 at 33–34 (MCMI Senior Vice President  
13 Amy Anuk testified that creditor's "put out invitation[s] to bid" which cause  
14 MCMI to "place the bid").

15 Bidding on a portfolio of accounts is distinguishable from "merely passively  
16 accepting offers" as described by the Washington State Supreme Court. *See Gray*,  
17 181 Wn.2d at 341. The former involves MCMI, on behalf of Midland Funding,  
18 making an offer, or bid, on a selected portfolio of accounts. Affirmatively making  
19 an offer or bidding on a portfolio is not the equivalent of merely accepting offers  
20 that a creditor might bring to MCMI. In the first scenario MCMI is the offeror  
21 while in the second MCMI is the accepting party. The former requires an  
affirmative act while the latter does not.

1 Further, as MCMI bids for a portfolio of accounts on behalf of Midland  
2 Funding, it is conceivable that the MCMI employees are acting as Midland  
3 Funding's agents to the extent that the employee is purchasing portfolios of  
4 account in Midland Funding's name. Midland Defendants' corporate structure  
5 supports this theory. Midland Funding, as a distinct corporate entity, has no  
6 employees. ECF No. 540 at 3. As Mr. Gerkin testified, "the three primary  
7 officers . . . are the same for each [Midland] entity." ECF No. 574-1 at 14. For  
8 example, Ken Vecchione is both the president and chief executive officer of  
9 MCMI and the president of Midland Funding. *Id.* at 20. Mr. Vecchione, as  
10 president of Midland Funding, "ultimately signs" the purchase agreements with  
11 creditors for portfolios of accounts. *Id.* at 21. As Mr. Gerkin described the Midland  
12 Defendants' processes when purchasing a portfolio:

13 [i]t depends on how you're describing purchase. Midland Funding,  
14 LLC's name is put onto the purchase and sale agreement; therefore, we  
15 refer to Midland Funding, LLC, as the purchaser. The money flows  
16 from a Midland Credit Management bank account to the issuer.  
17 Midland Credit Management employees are who facilitate that process.  
But no, in a legal sense, Midland Credit Management does not purchase  
the accounts. Midland Funding, LLC – Midland Credit Management,  
you know, acts as the entity that does the work, but Midland Funding,  
LLC's name is put onto the purchase and sale agreement.

18 *Id.* at 22. As MCMI employees "do[] the work" underlying every purchase made in  
19 Midland Funding's name, *see id.*, such employees arguably were Midland  
20 Funding's agents for that limited purpose.

1 The Court finds that, viewing the facts in the light most favorable to the non-  
2 moving party, Mr. Scott has demonstrated a genuine issue of material fact  
3 concerning whether MCMI employees acted as Midland Funding's agents when  
4 placing bids on portfolios of accounts. A corporation can "act only through its  
5 agents." *Houser v. City of Redmond*, 91 Wn.2d 36, 40 (1978). As Midland Funding  
6 has no employees, ECF No. 540 at 3, Midland Funding can only purchase  
7 portfolios of accounts through MCMI employees. *See* ECF No. 574-1 at 5 (noting  
8 that "Midland Funding doesn't decide or not decide to do anything"); ECF No. 576  
9 at 3 (noting that "it is undisputed that while [Midland Funding] owned Scott's  
10 debt, any acts relating to the debt were undertaken by licensed debt collection  
11 agency [MCMI]"). Although Midland Defendants argue that MCMI "has been a  
12 licensed 'collection agency' under the WCAA since the year 2000," *id.* at 4,  
13 MCMI's license does not extend to or include Midland Funding, a distinct  
14 corporate entity which was both the actual purchaser and unlicensed.

15 Based on the above, the Court concludes that Mr. Scott has demonstrated a  
16 genuine issue of material fact concerning whether affirmative acts taken by MCMI  
17 employees, acting as agents for Midland Funding, resulted in Midland Funding's  
18 soliciting claims for collection. Accordingly, the Court will not grant summary  
19 judgment on the basis that Midland Funding is not a "collection agency" under the  
20 WCAA.

21 //

1       **B. Good Faith Defense**

2           Midland Defendants argue that, even if Midland Funding were a “collection  
3 agency” operating without a license, Mr. Scott’s WCPA claim fails as Midland  
4 Funding acted in good faith in complying with the WCAA licensing requirements.  
5 ECF No. 538 at 12.

6           “Acts performed in good faith under an arguable interpretation of existing  
7 law do not constitute unfair conduct violative of the consumer protection law.”  
8 *Leingang v. Pierce Cty. Med. Bureau, Inc.*, 131 Wn.2d 133, 155 (1997). In  
9 *Leingang*, the defendant acted in good faith as prior court decisions had held that  
10 the uninsured motorist exclusion acted upon by defendant “was clear and  
11 enforceable and not against public policy.” *Id.* Further, the Insurance  
12 Commissioner had reviewed and approved of the uninsured motorist exclusion in  
13 health care service contracts. *Id.* at 156. The court held that, as defendant “was  
14 advancing an arguable interpretation of existing law,” the defendant was entitled to  
15 a good faith defense. *Id.*

16           Other courts have found the good faith defense applicable in similar  
17 circumstances. *See Watkins v. Peterson Enterprises, Inc.*, 57 F. Supp. 2d 1102,  
18 1111 (E.D. Wash. 1999) (finding the good faith defense applicable where the  
19 defendant’s interpretation was not flatly inconsistent with the text of the statute,  
20 there were no Washington State appellate decisions indicating that the defendant’s  
21 interpretation was incorrect, and state district courts had routinely approved the

1 defendant's interpretation). To take advantage of the good faith defense, the  
2 defendant may have to rely on "an official interpretation of state law." *Campion v.*  
3 *Credit Bureau Servs., Inc.*, CS-99-0199-EFS, 2000 WL 33255504, at \*13 (E.D.  
4 Wash. Sept. 20, 2000).

5 Midland Defendants argue that MCMI maintained procedures for  
6 monitoring licensing requirements and for ensuring that Midland Defendants  
7 complied with those licensing requirements. ECF No. 538 at 12–13. Further,  
8 Midland Defendants note that they relied upon the Collection Agency Board,  
9 which had adopted an interpretation of the WCAA finding that debt buyers were  
10 not required to be licensed. *Id.* at 13; *see also* ECF No. 540 at 3 (noting the  
11 Collection Agency Board's interpretation that debt buyers were not required to be  
12 licensed under the WCAA). Finally, Midland Defendants argue that the good faith  
13 defense applies as the Washington State Supreme Court found the definition of  
14 "collection agency" to be ambiguous as to the WCAA's application to debt buyers.  
15 ECF No. 576 at 7.

16 Mr. Scott argues that the good faith exception does not apply to acts that  
17 have been declared *per se* unfair for the purpose of the WCPA. ECF No. 573 at 8.  
18 Alternatively, Mr. Scott counters Midland Defendants' good faith defense by  
19 noting that "[t]he Collection Agency Board's 2009 interpretation was non-binding  
20 and non-precedential" and "Defendants had no basis to rely on the Collection  
21 Agency Board's interpretation." ECF No. 575 at 3.

1 Under RCW 19.16.440, the operation of a “collection agency” without a  
2 license, in addition to the commission of an act enumerated in RCW 19.16.250, is  
3 an “unfair act[] or practice[] or unfair method[] of competition . . . for the purpose  
4 of the application of the Consumer Protection Act.” RCW 19.16.440. In *Watkins*,  
5 the court found that, as RCW 19.16.440 says nothing about deception, the statute  
6 does not create a *per se* unfair or deceptive practice. *Watkins*, 57 F. Supp. 2d at  
7 1111. The Court disagrees with *Watkins*’ conclusion.

8 In *Hangman*, the Washington State Supreme Court stated that “[a] *per se*  
9 unfair trade practice exists when a statute which has been declared by the  
10 Legislature to constitute an unfair or deceptive practice in trade or commerce has  
11 been violated.” *Hangman*, 105 Wn.2d at 786. As examples, the court cited statutes  
12 using language including “an unfair or deceptive act in trade or commerce” or  
13 “unfair trade practice.” *Id.* RCW 19.16.440 states that operating a collection  
14 agency without a license is “declared to be unfair acts or practices or unfair  
15 methods of competition in the conduct of trade or commerce.” RCW 19.16.440.

16 The Court finds that the legislative decree finding the operation of a  
17 “collection agency” without a license an “unfair act . . . for the purpose . . . of the  
18 Consumer Protection Act” is sufficiently similar to the description of *per se* unfair  
19 acts in *Hangman*. The Washington State Supreme Court has adopted a similar  
20 interpretation. *See Panag*, 166 Wn.2d at 53 (“When a violation of debt collection  
21 regulations occurs, it constitutes a *per se* violation of the CPA and [Federal Trade

1 Commission Act] under state and federal law, reflecting the public policy  
2 significance of this industry.”).

3 As noted above, “[a]cts performed in good faith under an arguable  
4 interpretation of existing law do not constitute unfair conduct violative of the  
5 consumer protection law.” *Leingang*, 131 Wn.2d at 155. However, the Washington  
6 legislature has, by statutory enactment, deemed the operation of a “collection  
7 agency” without a license to be a *per se* unfair act. RCW 19.16.440. Thus, even if a  
8 defendant “collection agency” acted in good faith, the “collection agency’s” lack  
9 of a WCAA license is nevertheless an unfair act for the purpose of the WCPA. The  
10 Court concludes that, as pertains to the WCAA “collection agency” licensing  
11 requirement, Midland Defendants cannot utilize the good faith exception because  
12 Mr. Scott alleges a *per se* unfair act.

### 13 **C. Injury to Business or Property**

14 Midland Defendants argue that Mr. Scott has not suffered any “injury to  
15 business or property” as Midland Defendants have not collected the attorney’s fee  
16 judgment, and any wage garnishment was collected solely on Mr. Scott’s  
17 underlying debt. ECF No. 538 at 9–10; ECF No. 576 at 5–6. Mr. Scott argues that  
18 Midland Funding’s failure to properly license under the WCAA renders any  
19 garnishment of wages illegal. ECF No. 573 at 12–14.

20 Judge Shea previously held that “[t]o the extent that Mr. Scott alleges an  
21 injury as a result of the garnished amount based solely on the underlying debt and

1 interest thereon, Mr. Scott fails to allege an injury to business or property.” ECF  
2 No. 416 at 13. Judge Shea cited two decisions as persuasive authority, *Flores v.*  
3 *The Rawlings Co., LLC*, 117 Hawaii 153 (2008), and *Camacho v. Automobile Club*  
4 *of Southern California*, 142 Cal. App. 4th 1394 (2006). In *Flores*, the court found  
5 that although defendant’s collection activities might have violated state statutes,  
6 the plaintiffs were not injured by paying the underlying debt because the debt was  
7 valid. *Flores*, 117 Hawaii at 157. In *Camacho*, the court determined that the  
8 plaintiff could not establish an injury from allegedly unfair collection practice  
9 where he conceded liability and owed the amounts that were collected. *Camacho*,  
10 142 Cal. App. 4th at 1405.

11 Mr. Scott argues that the decisions cited by Judge Shea are distinguishable  
12 as the cases each involved voluntary payments on the underlying debt as opposed  
13 to forcible, illegal garnishment of wages. ECF No. 573 at 13. As discussed above,  
14 the Court has determined that a genuine issue of material fact exists concerning  
15 whether Midland Funding is a “collection agency” under the WCAA. If Midland  
16 Funding is a “collection agency,” the WCAA requires that Midland Funding be  
17 licensed in order to enter judgments against debtors and issue writs of garnishment.  
18 Therefore, if Midland Funding is an unlicensed “collection agency” any  
19 garnishment of Mr. Scott’s wages would have been illegal. As such, the Court  
20 finds that a genuine issue of material fact exists as to whether Mr. Scott suffered an  
21 injury to property. If Midland Funding illegally garnished Mr. Scott’s wages, any

1 amount collected could amount to an “injury” as Midland Funding would have had  
2 no right to utilize a writ of garnishment mechanism to collect the underlying debt,  
3 even if that debt was not disputed. Further, Mr. Scott could have suffered other,  
4 non-monetary injuries as a result of the illegal garnishment which may be  
5 considered “injuries to business or property” under the WCPA.

#### 6 **D. Conclusion**

7 For the reasons discussed above, the Court **DENIES** Midland Defendants’  
8 motion for summary judgment on Mr. Scott’s WCPA licensing cause of action.

#### 9 **IV. Federal Debt Collection Practices Act**

10 Midland Defendants argue that the First Amended Complaint fails to assert  
11 an FDCPA claim related to WCAA “collection agency” licensing and, to the extent  
12 such claims are raised, the cause of action should be dismissed as Midland  
13 Defendants are entitled to the FDCPA bona fide error defense. ECF No. 538 at 2,  
14 14. Midland Defendants are correct that Plaintiffs did not allege an FDCPA claim  
15 related to licensing in the First Amended Complaint. *See* ECF No. 297 at 48–50.  
16 However, Plaintiffs do raise an FDCPA claim related to licensing in the proposed  
17 Second Amended Complaint. *See* ECF No. 472-1 at 83. As such, the Court  
18 **DENIES WITH RIGHT TO RENEW** Midland Defendants’ motion for summary  
19 judgment on Plaintiffs’ FDCPA licensing cause of action. Midland Defendants  
20 may reassert the motion if and when the Second Amended Complaint becomes the  
21 operative pleading in this matter.

1 **CONCLUSION**

2 Accordingly, **IT IS HEREBY ORDERED** that Midland Defendants'  
3 Second Motion for Summary Judgment, **ECF No. 538**, is **GRANTED IN PART**  
4 **and DENIED IN PART**. Plaintiffs' WCAA cause of action is **dismissed with**  
5 **prejudice**. Mr. Scott may proceed with his WCPA licensing cause of action.  
6 Midland Defendants may renew their motion concerning Plaintiffs' FDCPA  
7 licensing cause of action if and when Plaintiffs' proposed Second Amended  
8 Complaint becomes the operative pleading in this matter.

9 The District Court Executive is directed to enter this Order and provide  
10 copies to counsel.

11 **DATED** this 2nd day of February, 2016.

12  
13 *s/ Rosanna Malouf Peterson*  
14 ROSANNA MALOUF PETERSON  
15 United States District Judge  
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